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中國稀土控股有限公司  
**China Rare Earth Holdings Limited**

*(incorporated in the Cayman Islands with limited liability)*

#### **CHANGE OF AUDITORS**

The board of directors of China Rare Earth Holdings Limited (the "Company") announces that Ernst & Young have resigned as the auditors of the Company and its subsidiaries with effect from 12 March 2003 at the request of the Company under section 140A of the Companies Ordinance and KPMG have been appointed as auditors of the Company and its subsidiaries on 13 March 2003 to fill the causal vacancy arising from the resignation of Ernst & Young.

At the request of the Company, trading in the shares of the Company has been suspended from 9:43 a.m. on 24 March 2003. Application has been made by the Company to the Stock Exchange to resume the trading of the Company's shares with effect from 9:30 a.m. on 25 March 2003.

The board of directors ("Directors") of China Rare Earth Holdings Limited (the "Company") announces that Ernst & Young have resigned as the auditors of the Company and its subsidiaries (the "Group") with effect from 12 March 2003 and KPMG have been appointed as auditors of the Group on 13 March 2003 to fill the causal vacancy arising from the resignation of Ernst & Young and to hold office until the conclusion of the next annual general meeting of the Company.

After a preliminary review of the Group's accounting systems, Ernst & Young advised the Directors that as part of their audit, they need to review and perform audit procedures on, among other matters, the sourcing and sales systems, the valuation of the semi-finished products, the confirmation of bank balances, the particulars of fixed assets and the export sales of the Group. Ernst & Young further advised that in view of such anticipated work, substantial human resources and time were required in order to complete the audit of the financial statements of the Group for the year ended 31 December 2002 and hence they proposed to revise the audit fees to an indicative range which the Directors considered to be very significant and unacceptable. At the request of the Company, Ernst & Young tendered their resignation as auditors of the Group under section 140A of the Companies Ordinance. KPMG have already commenced field audit work on 13 March 2003 and the Directors noted that the audit work of KPMG have been progressing satisfactorily.

At the request of the Company, the shares of the Company were suspended for trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 9:43 a.m. on 24 March 2003. An application has been made to the Stock Exchange for resumption of trading of the Company's shares with effect from 9:30 a.m. on 25 March 2003.

On behalf of the board of Directors

**Jiang Quanlong**  
*Chairman*

Hong Kong, 24 March 2003